

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail
Priority Mail Contract 777

Docket No. MC2023-124

Competitive Product Prices
Priority Mail Contract 777 (MC2023-124)
Negotiated Service Agreement

Docket No. CP2023-127

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL CONTRACT 777
TO THE COMPETITIVE PRODUCT LIST

(March 31, 2023)

The Public Representative hereby provides comments pursuant to a Commission Notice initiating this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Priority Mail Contract 777 to the competitive product list.²

The Postal Service's request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), and a copy of Governor's Decision No. 19-1. The Postal Service also filed (under seal) a contract related to the proposed new product and supporting financial data.

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, March 27, 2023. (Notice).

² USPS Request to Add Priority Mail Contract 777 to the Competitive Product List and Notice of Filing Materials Under Seal, March 24, 2023. (Request).

According to the Postal Service, Priority Mail Contract 777 is a competitive product featuring rates “not of general applicability” within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service also maintains that the prices and classification changes applicable to Contract 777 are supported by Governors’ Decision No. 19-1.³ The Postal Service further asserts that the Statement of Supporting Justification provides support for adding Contract 777 to the competitive product list and the compliance of the instant contract with 39 U.S.C. § 3633(a). Request, Attachment D at 1.

The effective date for Contract 777 is three (3) business days following the day on which the Commission issues all necessary regulatory approval. Attachment B at 4. The contract is set to expire three (3) years from the effective date unless either party terminates the contract on 30 days’ prior written notification, or other specific events. *Id.*

COMMENTS

The Public Representative has reviewed the instant contract, the Statement of Supporting Justification, and the financial data and model filed under seal that accompanies the Postal Service’s Request. Based upon that review, the Public Representative concludes that Priority Mail Contract 777 should be classified as a competitive product and added to the competitive product list. In addition, it appears that Contract 777 will generate sufficient revenues to cover costs in the first year and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Priority Mail Contract 777 be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether “the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar

³ Decision of the Governors of the United States Postal Service on Establishment of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, February 7, 2019 (Governors’ Decision No. 19-1).

products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service’s Statement of Supporting Justification makes a number of assertions that address the considerations of section 3642(b)(1). Request, Attachment D. These assertions appear reasonable. Based upon these assertions, the Public Representative concludes that the Postal Service’s Request to add Priority Mail Contract 777 to the competitive product list is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial data, the negotiated prices for Contract 777 should generate sufficient revenues to cover costs during the first year of the contract and therefore meet the requirements of 39 U.S.C. § 3633(a). In addition, during the 3 years Contract 777 is expected to remain in effect, the contract contains a mechanism for the annual adjustment of prices.

Finally, the Postal Service must file revenue and cost data for Contract 777 in future Annual Compliance Reports. These data will permit the Commission to review the financial results for Priority Mail Contract 777 for compliance with 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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